



CHINA
DEVELOPMENT
FINANCIAL

UnUsUaL Limited

(UNU SP/UNUS.SI)

Without song or dance, what are we?

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- **On the edge of glory.** After two years of forced hibernation, UnUsUaL (UNU), a live entertainment producer and promoter, is on the cusp of a recovery from both a demand and supply perspective. Pre-pandemic, UNU produced and promoted more than 20 shows across over 10 cities annually. We see scope for UNU to return to such levels in the near-term and advocate investors to build long positions in this unnoticed recovery trade.
- **Return to profitability.** We expect UNU to return to the black in FY23F with revenue/PATMI of SGD45.6m/SGD5.2m, a stunning turnaround from FY22A's SGD3.6m/-SGD4.2m. Subsequently, we pencil in 4-year revenue/PATMI CAGRs of 28.1%/54.5% on reattainment of pre-pandemic margins.
- We initiate with an **Outperform** recommendation and a blended peer and DCF-backed TP of **SGD0.192** apiece.

Financials & Key Operating Statistics

YE Mar (S\$'000)	FY22A	FY23F	FY24F	FY25F	FY26F
Revenue	3,593	45,645	61,810	78,613	95,917
PATMI	(4,182)	5,186	10,740	14,860	19,130
EPS (cents)	(0.4)	0.5	1.0	1.4	1.9
EPS growth (%)					
P/E (x)	(33.2)	26.8	12.9	9.3	7.3
DPS (Sing cents)	-	-	-	-	-
Div Yield (Y%)	0.0%	0.0%	0.0%	0.0%	0.0%
Net Profit Margin (%)	(116.4%)	11.4%	17.4%	18.9%	19.9%
Gearing (%)	38.8%	30.6%	18.4%	12.1%	7.5%
P/B (x)	3.1	2.7	2.2	1.8	1.4
ROE (%)	-9.2%	10.2%	17.4%	19.3%	19.8%

Source: Company data, KGI Research

UNU is awakening to an environment where fan demand for live entertainment is reviving, and artistes are looking to capitalise on a resurgent discretionary spend. With a track record of producing and promoting live music events for over 25 artistes, we expect UNU to produce and promote at least 12 live music events in FY23F. We reckon that this will ultimately grow to pre-pandemic levels by FY24F.

After lagging the West, Asia is now ripe for demand boon.

Pollstar notes that globally, 1Q22 ticket sales have recovered to USD1.09bn from 1Q21's USD30m. Nonetheless, there is USD0.9-1.3bn gap from pre-pandemic levels, which is presumably left for Asia to fill as the region has only recently started to lift pandemic curbs. Data from Google tallies with our prognostication as UNU's key primary markets start to see marked action both on search trends and mobility.

Artistes are also revving up tours. On the supply side of the equation, artistes are also stepping up their plans for tours across cities to reach out to their fanbase and remain relevant. In terms of pipeline, UNU has already announced a bevy of tours in home market, Singapore. Based on announcements as well as UNU's track record, we believe that UNU has essentially secured 27.3% of our FY23F ticket sales forecasts. This gives us confidence that as more

Outperform - Initiation

Price as of 17 Jun 22 (SGD)	0.135	Performance (Absolute)	
12M TP (\$)	0.192	1 Month (%)	-0.7
Previous TP (\$)	-	3 Month (%)	9.8
Upside, incl div (%)	42.0	12 Month (%)	-21.5
Trading data		Perf. vs STI Index (Red)	
Mkt Cap (\$mn)	139		
Issued Shares (mn)	1,029		
Vol - 3M Daily avg (mn)	0.2		
Val - 3M Daily avg (\$mn)	0.0		
Free Float (%)	18.8%		
Major Shareholders		Previous Recommendations	
Unusual Management	76.9%	N.A	
SPH Invest	4.9%		
Yeo Khee Seng Benny	3.3%		

markets open, UNU would be able to potentially better our conservative numbers.

There are three key drivers of UNU's financials over the next four years, namely, i) number and scale of live events produced and promoted, ii) average ticket prices, and iii) breakeven costs. In our base case scenario, we have assumed 15/18/21/24 concerts and special functions across FY23F/24F/25F/26F. On blended ASPs, our starting point was SGD160/ticket and built in a 4-year CAGR of 4.1%, which in our view is conservative given Live Nation's experience of double-digit YoY growth this year. On breakeven costs, we have assumed that core EBIT margins will turnaround in FY23F to 14.9% (FY22A: -92.4%) and attain pre-pandemic levels of 21.7% by FY24F.

Valuation & Action: We initiate with an Outperform recommendation and a TP of SGD0.192/share. Conservatively, we ascribe c.15% discount to the midpoint of our valuation range to factor in execution risks. Our range is derived from FY+1/+2 peer P/E valuations as well as base/bear discounted cashflows. Our DCFs considered WACC of 8.3%-8.7% and terminal growth rate of 1.8%-2.2%. We believe that UNU is the best-in-class play in SGX when it comes to live entertainment and that the implied FY24F 18.4x P/E is inexpensive and premised on recovering fundamentals as well as track record in bringing in artistes with wide and established fanbase.

Risks: The biggest risks to UNU performance are the reimposition of pandemic curbs, and cancellation of shows. Other risks include weaker-than-expected discretionary spend, potential oversupply of live entertainment events that may sap out fan demand, cannibalisation of fan demand by online streaming, and shareholder dilution from potential equity fundraising.

See the last page for important disclosures.

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Business at a glance

UnUsUaL Group (UNU SP) is a producer and promoter of large-scale live events and concerts in Singapore and the region. Pre-pandemic, UnUsUaL (UNU) produced and promoted more than 20 shows, with c.10 shows in overseas venues.

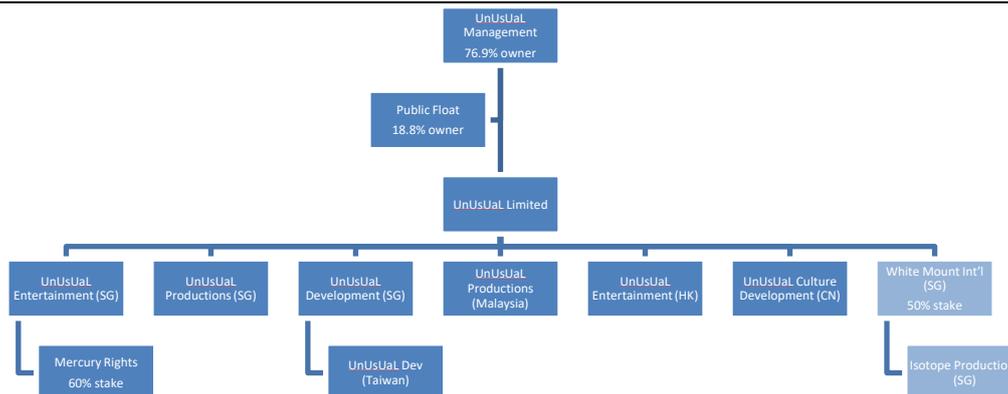
Figure 1: UnUsUaL’s business units and how they generate revenue

Business Unit	What they do	How do they earn money?
Production	<ul style="list-style-type: none"> - Provides technical and creative expertise for set creation and stage design - Installation of sound, light, and video equipment - Conceptualise and develop other creative aspects of the live event 	<ul style="list-style-type: none"> - Project basis, cost-plus business model - Typically goes together with Promotion as UNU offers end-to-end solutions to artistes and tour managers
Promotion	<ul style="list-style-type: none"> - Planning and managing of concerts and events - Ticketing matters - Marketing and promotion 	<ul style="list-style-type: none"> - Typically, 25-30% of event ticket sales
Other	<ul style="list-style-type: none"> - Venue management - Co-management of events 	<ul style="list-style-type: none"> - Venue management typically on contracted basis for a specified duration - Co-management of events on a project basis

Source: Company, KGI Research

Currently, UNU has presence across Singapore, Malaysia, Hong Kong, and is looking to expand further in the Asia Pacific region by leveraging on its major shareholder, mm2 Asia. The latter is an SGX mainboard-listed producer and distributor of content in the region and holds a 51%-stake in UnUsUaL Management, which in turn holds a 76.9% direct stake in UNU.

Figure 2: UnUsUaL’s corporate structure



Source: Company, *100% stake holdings unless otherwise stated

Figure 3: SWOT Analysis

Strengths	Opportunities
<ul style="list-style-type: none"> - Provides both technical (Production) and creative (Promotion) expertise to artistes; thereby mitigating risks associated with operating in a single business unit - Experienced and committed management team - Strong network of business relationships cultivated through its >25 years of corporate history - Established track record of securing mega events and top artistes yearly 	<ul style="list-style-type: none"> - Geographical expansion into both developing (PH/TH/ID) and developed (AUS/US) markets - Tap on rising popularity of various sub-cultures such as KPOP - Growing its portfolio of artistes/shows/IP - Tapping on technological trends such as NFTs/Metaverse/VR to bolster its channels - Livestreaming of concerts to geofenced locations, i.e., SG show livestreamed to Hong Kong fans - Vertical integration opportunities both from artiste (upstream) and venue (downstream) perspective
Weaknesses	Threats
<ul style="list-style-type: none"> - Main promotion business predicated on ability to sell tickets; failure of which may result in substantial losses - Limited venues and/or scheduling implies that UNU is bounded by the maximum number of fans it can reach out to - Dependent on artistes’ ability to see through his/her/their signed tours - Financial performance may be affected by volatile FX in Malaysia and Hong Kong 	<ul style="list-style-type: none"> - Sensitive to public tastes as well as reputational risks associated with artistes - Macroeconomic shocks could affect discretionary spend, particularly for casual fans - Rising sea levels and increased frequency of extreme weather events could affect concert scheduling substantially - Key men risk associated with senior management

Source: Company, KGI Research

Investment thesis

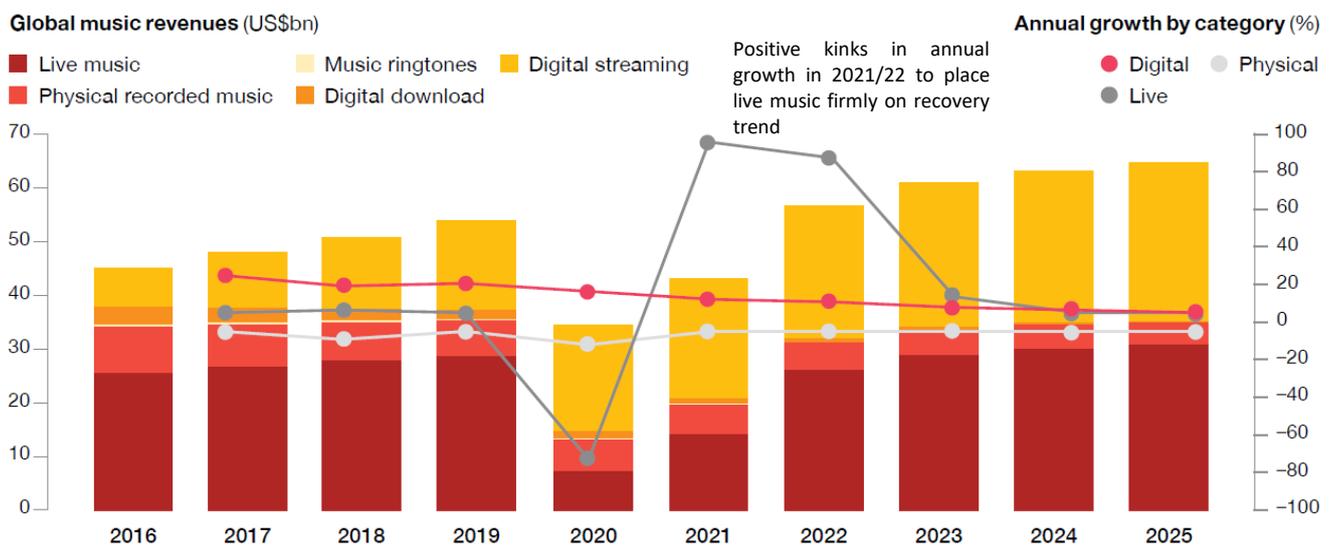
Live Entertainment on cusp of demand revival here

Asian live entertainment on the edge of glory. After almost two years in forced hibernation, UNU is awakening to an environment where demand is reviving, and artistes are looking to capitalise on a resurgent discretionary spend.

According to US-based live entertainment trade publication Pollstar, 1Q22 ticket sales indicate that the global industry is firmly on the recovery trend after the pandemic saw the virtual non-existence of concerts and other live music events. Ticket sales for the quarter jumped to USD1.09bn versus 1Q21's meagre USD30m. Nonetheless, there remains a significant ticket sale gap of about USD0.9 to USD1.29bn before the industry can return to its heydays seen prior to the pandemic.

This is further corroborated by PwC's forecasts for global music revenues in 2022 and beyond. In its forecasts, annual growth in live music revenues would see a substantial positive kink across 2021 and 2022 before stabilising at pre-pandemic levels in 2023 onwards.

Figure 4: Global music revenue



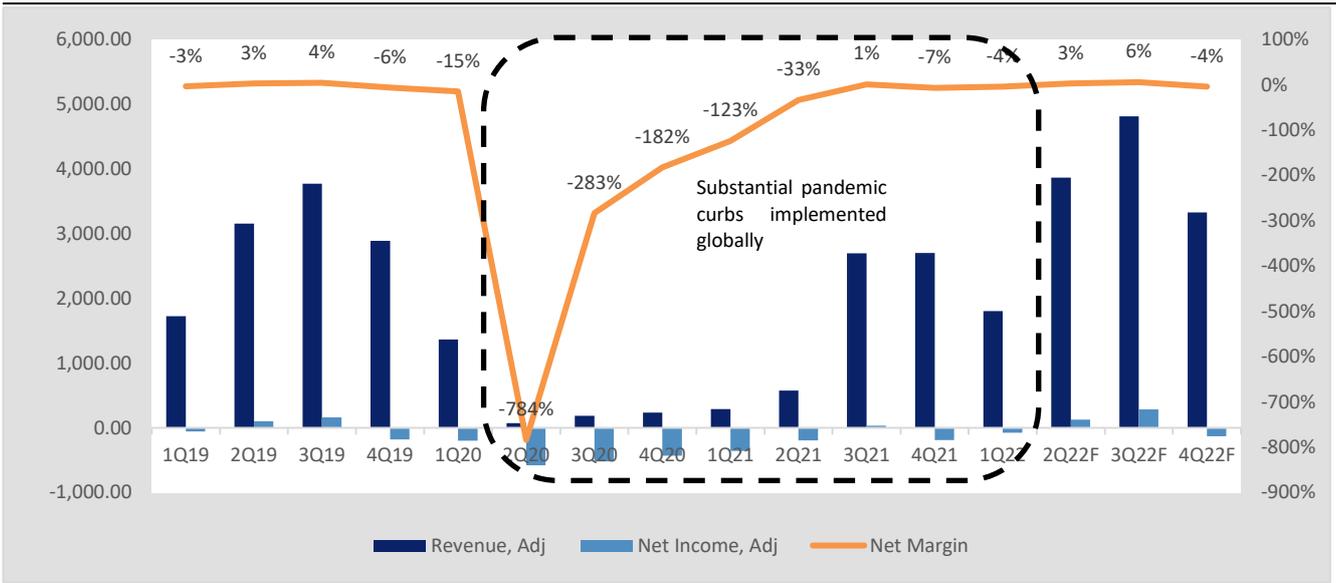
Source: PwC, Omdia

Global market leader, Live Nation (LYV US) sees growing momentum in 1Q22. LYV reported growing momentum for all its businesses over the course of 1Q22, as operating income surged 3x and transacted gross ticket value jumped 39% vs 1Q19. Intriguingly, Live Nation's Ticketmaster, a ticketing agent, scored its second higher ever transacted value in 1Q22, which grew 33% over pre-pandemic 1Q19's takings. This was driven by fan demand as well as signing of new contracts, which was accelerated by artistes who were returning to touring.

The street expects the recovery seen by LYV to gather further momentum with forecasts that 2Q22 and 3Q22 to return to profitability in 2Q22F and 3Q22F. Eventually, this should lead LYV to record an FY22F net profit of USD206.8m vs FY21's USD703.8m loss.

Importantly, LYV's management believes that all leading indicators point to a double-digit growth in fan attendance at its concerts this year relative to 2019 on resurgent demand. Additionally, it notes that VIP ticket pricing continues to grow, pushing average ticket pricing to double-digit growth as the industry embrace market-based pricing.

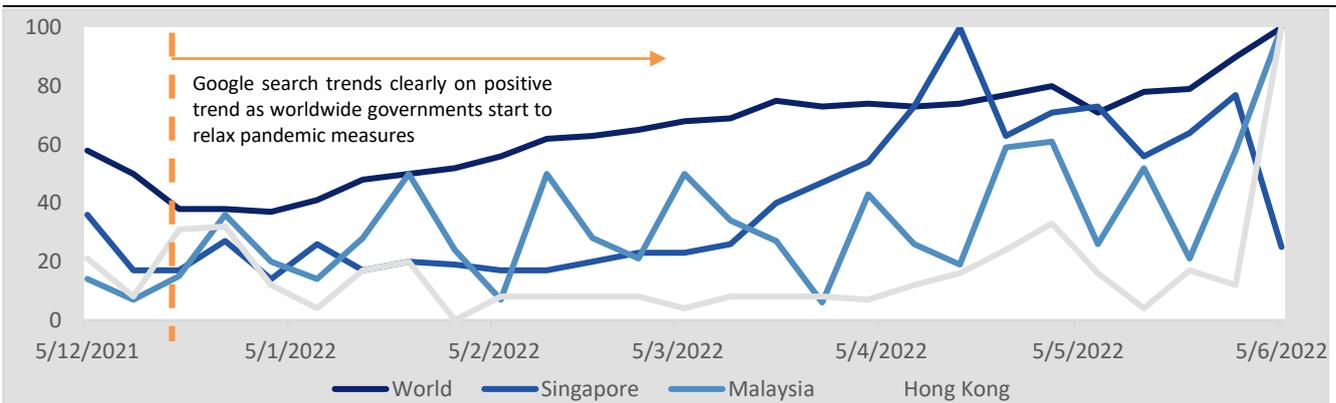
Figure 5: LYV's quarterly revenue/net profit performance



Source: Bloomberg, KGI Research

We believe that Asia, as a laggard, is set to also benefit from the wave of reversion spending as pandemic curbs are lifted. Asia lagged the west in lifting pandemic curbs and thus, was not able to see the gradual improvement in the live event space in 1Q22. This is set to change as we note that Google search trends saw an explosion of interest in concerts in 2Q22 across key UNU markets such as Singapore, Malaysia, and Hong Kong.

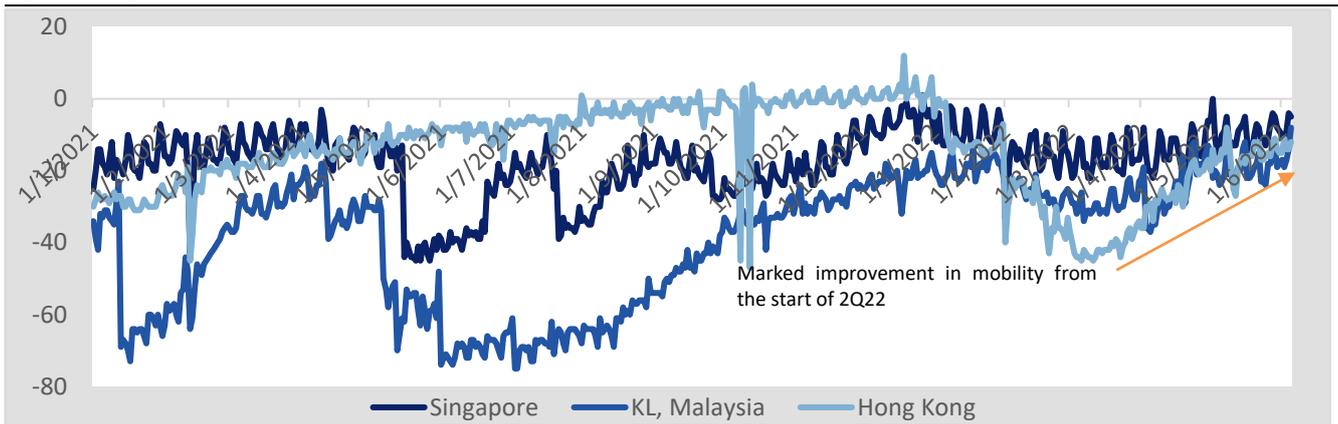
Figure 6: YTD Google search trends



Source: Google, KGI Research

Additionally, Google Mobility reports that primary UNU markets such as Singapore, Kuala Lumpur, and Hong Kong are showing stark improvements in mobility around retail and recreation sites. We observed that the marked improvements tend to coincide or even trail Google search trends, which is fair and intuitive since we opine those fans are likelier to search online before heading down to the recreation sites.

Figure 7: Google Mobility report 2021/22



Source: Google, KGI Research

Recent A-Lin concert sees sell-out crowd. Our bullishness on the Asian live entertainment scene is further supported by UNU’s own experience with its first major post-pandemic in-person concert. It had produced and promoted A-lin’s A-Link With Passengers World Tour, which saw an 8,000-capacity crowd at the Singapore Indoor Stadium on 28 May. In our conversations with management, UNU had to adjust the ticket sales constantly as the authorities loosened pandemic curbs in quick succession. Eventually, UNU managed to secure a full capacity as safe distancing were no longer required as of 26 April. Tickets for A-Lin ranged from SGD128 to SGD288 for VIP tickets. Management believes that the pricing range is in line with past concerts and target fanbase.

Figure 8: Queue at UNU’s first concert, A-Link with PASSENGERS



Source: KGI Research

Figure 9: More than 8,000 capacity crowd at concert



Source: ST Photo

Show pipeline gaining traction; A-Listers revving up

Oriental artistes are starting to tour. Prior to A-Lin’s concert, we note that the live music scene was already greeted with news of Mandopop A-Listers like JJ Lin and Jay Chou planning significant world tours, with the latter already expected to tour Singapore, Malaysia, and Australia from December 2022 to March 2023.

In terms of UNU’s concert pipeline, the company has already announced a slate of concerts in home market, Singapore. These are namely:

- i. Taiwanese rock band, 831 (1 night at the Singapore Indoor Stadium)
- ii. Mandopop A-Lister, Eric Zhou (2 nights at Singapore Indoor Stadium)
- iii. Co-presenting western popstar, Justin Bieber (1 night at Singapore National Stadium)

Figure 10: UNU recently announced 2-night Eric Zhou concert



Source: Company

Figure 11: AEG/UNU announced 1-night Justin Bieber concert in April



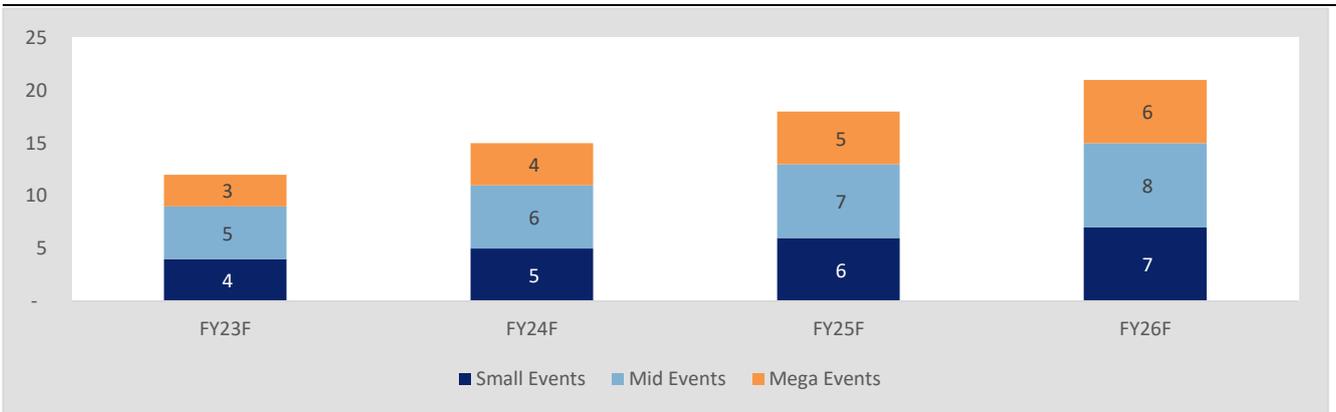
Source: Company

At the point of writing, we note that UNU has already announced that Eric Zhou's first night in Singapore was sold out.

We reckon that this pipeline to be further beefed up with another Mandopop A-Lister. Based on UNU's experience, this artiste should at least tour Singapore, Malaysia, and Australia, with above 20,000 capacities in each city/country.

Based on our discussions with management as well as look-back on UNU's pre-pandemic track record, we expect UNU to produce and promote at least 12 concerts in FY23F and host at least 260,500 fans across these concerts. Factoring its current and announced pipeline, we note that UNU has already achieved 27.3% of our full-year forecast, which would place it in good stead to achieve and indeed outperform our numbers.

Figure 12: Forecasted UNU concert pipeline



Source: KGI Research

Figure 13: UNU's past concerts and upcoming pipeline

Date	Artiste	Event	Country	Venue	Capacity
TBC	A-Lister	A-Lister World Tour	Singapore	TBC	TBC
TBC	A-Lister	A-Lister World Tour	Australia	TBC	TBC
TBC	A-Lister	A-Lister World Tour	Malaysia	TBC	TBC
Oct-22	Justin Bieber	Justice World Tour	Singapore	National Stadium	45,000
Sep-22	Eric Chou	Odyssey	Singapore	Singapore Indoor Stadium	10,000
Jun-22	831	Miss You 3000 Tour	Singapore	Singapore Indoor Stadium	8,000
May-22	A-Lin	A-Link with Passengers	Singapore	Singapore Indoor Stadium	8,000
Aug-20	831	World Tour	Taiwan	K-Arena	15,000
Dec-19	JJ Lin	Sanctuary World Tour	Malaysia	National Stadium	85,000
Dec-19	Air Supply	Live in Hong Kong	Hong Kong	Star Hall, KITEC	3,600
Dec-19	Eric Chou	How Have You Been Asia Tour	Singapore	Singapore Indoor Stadium	12,000
Dec-19	JJ Lin	Sanctuary World Tour	Malaysia	National Stadium	55,000
Sep-19	Andy Lau	My Love Andy Lau World Tour	Singapore	National Stadium	55,000
Aug-19	Richard Clayderman	Asia Tour 2019	Singapore	The Star Theatre	5,000
Aug-19	Westlife	The Twenty Tour	Singapore	National Stadium	55,000
Jul-19	GFriend	GO GFRIEND Asia Tour	Singapore	The Star Theatre	5,000
Jul-19	Westlife	The Twenty Tour	Thailand	Impact Arena, Muang Thong Thani	11,440
Mar-19	JJ Lin	Sanctuary World Tour	Australia	Qudos Bank Aren	21,000
Mar-19	JJ Lin	Sanctuary World Tour	Australia	Rod Laver Arena	14,820
Mar-19	Wang Leehom	Descendants of the Dragon 2060 World Tour	Malaysia	Stadium Merdeka	40,000
Mar-19	GEM	Queen of Hearts World Tour	US	Bill Graham Civic Auditorium	8,500
Jan-19	Wang Leehom	Descendants of the Dragon 2060 World Tour	Singapore	Singapore Indoor Stadium	12,000
Jan-19	Hacken Lee	30th Anniversary Concert	Malaysia	Arena of Stars	6,000
Nov-18	Winner	2018 Everywhere Tour	Singapore	The MAX Pavilion	7,000
Nov-18	iKON	2018 Continue Tour	Singapore	The MAX Pavilion	7,000
Nov-18	Guns N' Roses	Not In This Lifetime	Indonesia	Stadion Utama Gelora Bung Karno	77,193
Oct-18	Sam Smith	The Thrill Of It All Tour	Singapore	Singapore Indoor Stadium	12,000
Oct-18	Wakin Chau	WAU Live 2018	Singapore	National Stadium	55,000
Oct-18	Jason Mraz	Good Vibes	Singapore	National Stadium	55,000
Sep-18	Hacken Lee	30th Anniversary Concert	Singapore	Resort World Ballroom	6,500
Sep-18	Eric Chou	22PLUS Asia Tour 2018	Malaysia	Axiata Arena	16,000
Sep-18	JJ Lin	Sanctuary World Tour	Malaysia	Axiata Arena	16,000
Aug-18	JJ Lin	Sanctuary World Tour	Singapore	Singapore Indoor Stadium	8,000
Aug-18	Boyzone	Boyzone Live	Singapore	Singapore Indoor Stadium	12,000
Jun-18	Air Supply	Air Supply 2018 Concert in Taipei	Taiwan	NTU Multi-Purpose Hall	4,200
Jun-18	Air Supply	Air Supply in Singapore	Singapore	Singapore Indoor Stadium	12,000
Jun-18	Eric Chou	22PLUS Asia Tour 2018	Singapore	The MAX Pavilion	7,000
Jun-18	Hillsong	Young & Free	Singapore	Singapore Indoor Stadium	12,000
Mar-18	MONSTA X	MONSTA X Special Show 2018	Singapore	The Coliseum	1,014
Mar-18	Shane Filan	Live In Concert	Singapore	The Coliseum	1,014
Mar-18	Namie Amuro	Final Tour 2018	China	Shenzhen Bay Sports Center	20,000
Mar-18	NA	Liu San Jie, The Musical	Singapore	Resorts World Theatre	1,714
Mar-18	Jeannie Hsieh	Sister Loves You Concert Tour	Singapore	Resort World Ballroom	6,500
Feb-18	Jacky Cheung	A Classic Tour	Singapore	Singapore Indoor Stadium	12,000

Source: Company, KGI Research

Exploring new frontiers

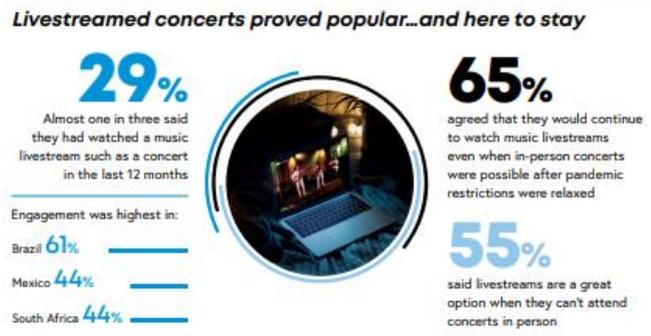
Brighter lights and bigger venues. UnUsUaL is looking to expand geographically as well as do more shows in different song genres. They are currently in Singapore, Malaysia, and Hong Kong, but wants to be in more cities in China as well as expand to Thailand, the Philippines, Indonesia, Australia, and the US.

Genre-wise, UnUsUaL has traditionally been associated with Cantopop and Mandopop but wants to expand into K-pop which is doing well in cities such as Bangkok and Singapore. For instance, pre-pandemic, UnUsUaL completed two shows for South Korean boyband iKON in Thailand and Singapore and did fan meet ups for South Korean pop star, Kang Daniel.

Tech enablers to expand reach. Live events such as concerts have traditionally shunned technology with the impression that tech was more of a disrupter (streaming) rather than an enabler. According to Deloitte’s 2022 media and entertainment industry outlook, 84% of surveyed fans were spending more time at home on online entertainment, and less time on in-person entertainment. Nonetheless, we note that livestreams of concerts can potentially reach a broader fanbase particularly for concerts that may be too far away, experiencing quarantines (e.g., China), sold out, or just too large for those not yet ready to mingle in crowds.

Content at live event venues can also go direct-to-consumers through streaming services, and there continues to be pockets of opportunities to create bespoke experiences that only exist in person and can’t be replicated on screen such as digital experiences through supplemental AR/VR capabilities. We agree with Deloitte’s postulations that the future of live entertainment is likely to be exclusive, multipurpose, and a hybrid blend of the real and digital world.

Figure 14: Livestreaming of concerts could open new revenue streams



Source: IFPI

Figure 15: UNU’s Isotope organized JJ Lin’s virtual concert in 2021



Source: Company

Financial Analysis

What to expect over the next four years

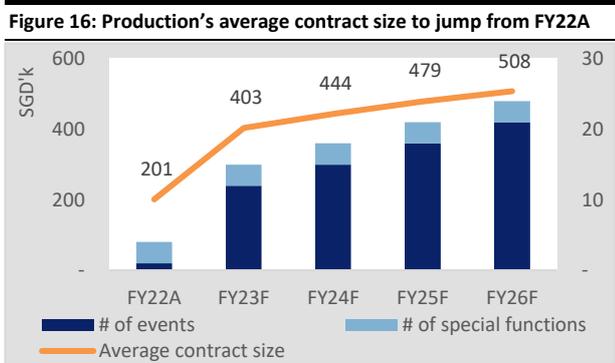
Our base case ASP is also corroborated by UNU's recent A-Lin concert with tickets retailing from S\$128 to S\$288, implying an average ASP of S\$178.

In our base case scenario, we forecast UNU to return to profitability in FY23F. There are three key drivers of UNU's financials over the next four years, namely, i) number and scale of live events produced and promoted, ii) average ticket prices, and iii) breakeven costs.

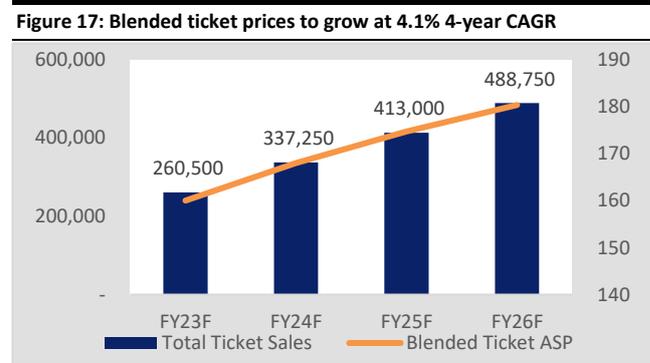
In our base case scenario, we have assumed 12/15/18/21 concerts and 3/3/3/3 special functions across FY23F/24F/25F/26F. On blended ASPs, our starting point was SGD160/ticket and built in a 4-year CAGR of 4.1%, which in our view is conservative given LYV's experience of double-digit YoY growth this year. On breakeven costs, we have assumed that core EBIT margins will turnaround in FY23F to 14.9% (FY22A: -92.4%) and attain pre-pandemic levels of 21.7% in FY24F.

Promotion business unit to underpin UNU's 5-year revenue CAGR of 137%. UNU is revving up its business in a post-pandemic world. Currently its Promotion business strategy is focused on three main areas:

- i. Focus on securing popular artistes and tour dates in its home markets of Singapore and Malaysia. We note that as at the point of writing, UNU has announced at least 4 concerts in the pipeline. Channel checks reveal that UNU is likely to have secured at least another 2 concerts (A-Lister) across its 2 primary markets
- ii. Gradually opening to frontier markets such as Australia, Hong Kong, and other Southeast Asian countries. While this is predicated on the country's pandemic measures and speed of economic reopening, our checks show that UNU is likely to secure 2 concerts by an A-Lister in at least 1 frontier market.
- iii. Increasing the average contract size of its production business by offering more value-added services such as creative consultancy

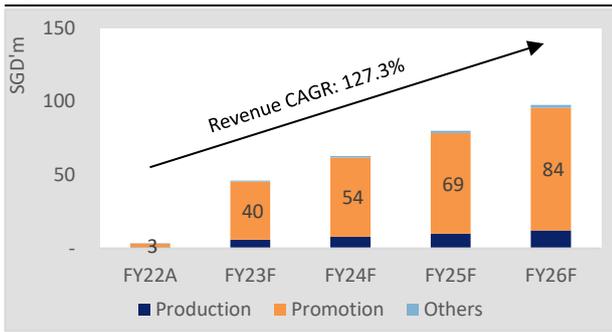


Source: Company, KGI Research

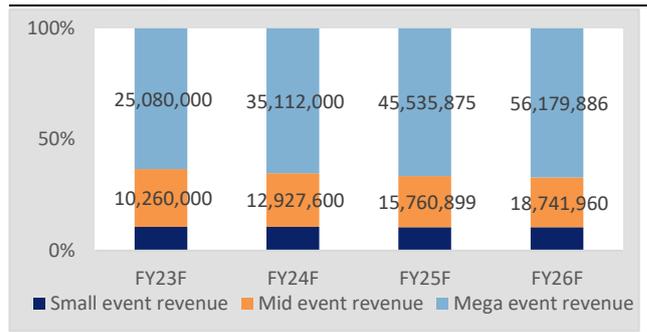


Source: KGI Research

As a result, we see revenue growing 127.3% 5-year CAGR from FY22-26F to reach SGD95.9m, in tandem with the increase in number of live events produced and promoted. We expect total ticket sales to grow at a 4-year CAGR (FY23F-26F) of 23.3% from 260,500 in FY23F to 488,750 by FY26F. Promotion's contribution will thus make up a lion's share of revenue with 86.7%-87.3% from FY23F to FY26F.

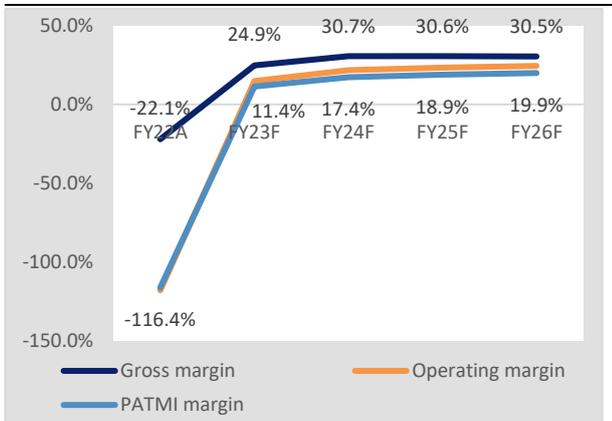
Figure 18: UNU revenue composition


Source: Company, KGI Research

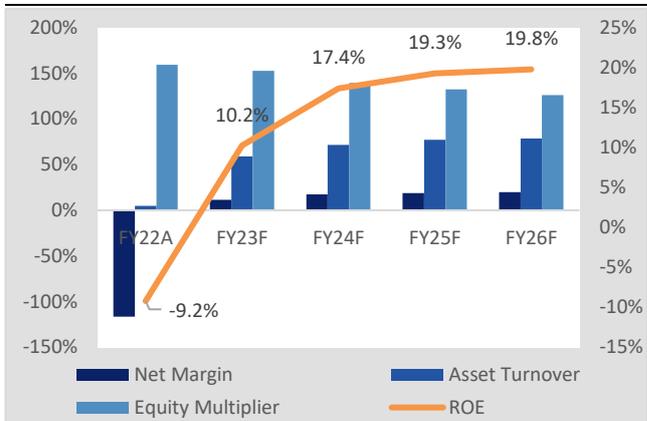
Figure 19: Drilling deeper into promotion revenue


Source: KGI Research

FY23F turnaround and attractive 54.5% 4-year CAGR thereafter. On the back of higher revenue and enhanced gross/operating margins, coupled with slower growth in COS and OPEX, which we anticipate will stabilise at c.76% by FY26F, we believe that PATMI margins could increase from 11.4% to 19.9% as UNU recovers to pre-pandemic levels.

Figure 20: Blended margins expanding on recovery


Source: Company, KGI Research

Figure 21: ROE improvement in tandem with earnings


Source: KGI Research

Scenario Analysis

In conducting our scenario analysis, we embarked on an exercise to look at potential grey swan events that might affect our UNU forecasts. As a live event producer and promoter, UNU is at the mercy of macroeconomic changes and any tectonic shift could potentially cause UNU's financials to be substantially curtailed. In our minds, we find the following potential market developments (also indicated in Key Risks section) that could and might even happen. These are:

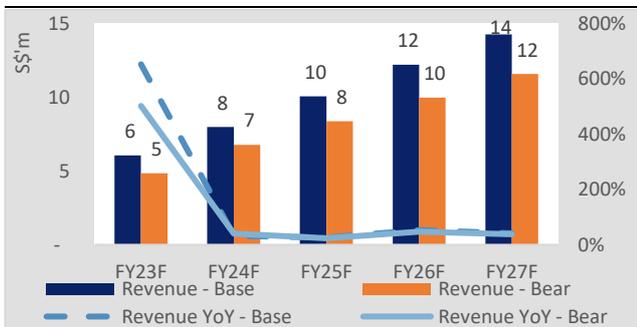
- i. Weaker-than-expected discretionary spending due to a myriad of factors including but not limited to stagflation, reimposition of pandemic curbs
- ii. Pricing pressures from fans particularly during periods of economic hardships
- iii. Heightened and intensive competition from other live event producers and organisers

To factor for these, we carried out a thought exercise to see how a bearish view could affect UNU's performance negatively. We set out the changes to our key assumptions below and the effects in the graphs that follow.

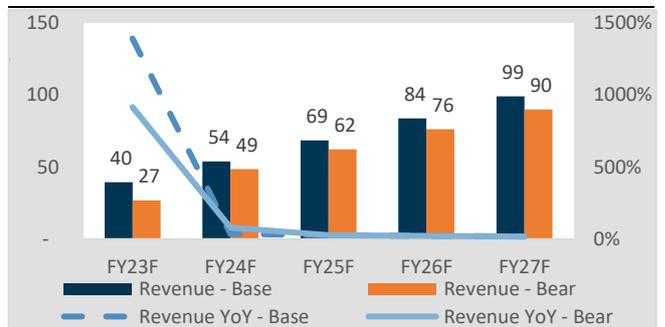
Figure 22: Scenario analysis key assumptions table

Item	Base					Bear					Bear/Base Δ				
	FY23F	FY24F	FY25F	FY26F	FY27F	FY23F	FY24F	FY25F	FY26F	FY27F	FY23F	FY24F	FY25F	FY26F	FY27F
Production's assumptions															
Total number of events	15	18	21	24	27	12	16	19	22	25	-20%	-11%	-10%	-8%	-7%
Average contract size (SGD'k)	403.3	443.6	479.1	507.8	528.1	403.3	423.4	440.4	453.6	462.7	0%	-5%	-8%	-11%	-12%
Promotion's assumptions															
Small event ticket revenue (SGD'm)	4.3	5.8	7.3	8.8	10.4	3.0	4.4	5.6	7.2	8.5	-30%	-24%	-22%	-18%	-18%
Mid event ticket revenue (SGD'm)	10.3	12.9	15.8	18.7	21.7	7.3	9.8	12.6	15.3	17.8	-29%	-24%	-20%	-18%	-18%
Large event ticket revenue (SGD'm)	25.1	35.1	45.5	56.2	66.9	16.7	34.5	44.1	53.9	63.7	-33%	-2%	-3%	-4%	-5%

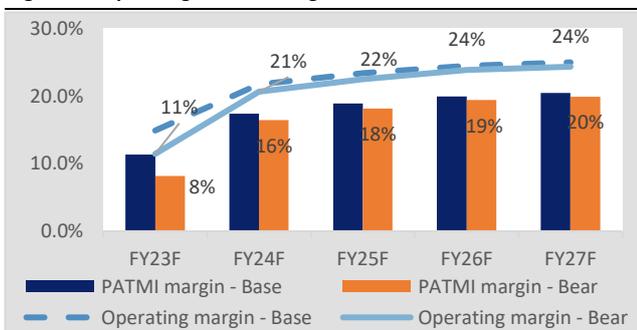
Source: KGI Research

Figure 23: Production Revenue Profile


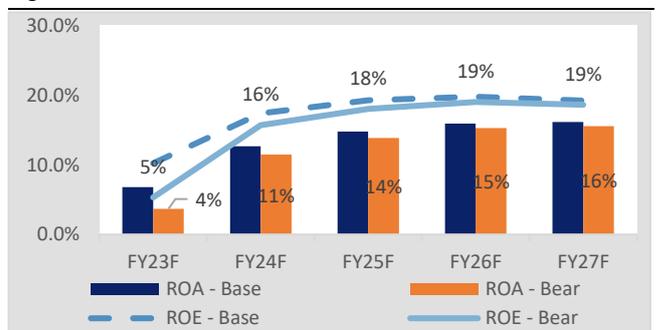
Source: KGI Research

Figure 24: Promotion Revenue Profile


Source: KGI Research

Figure 25: Operating and Net Margins


Source: KGI Research

Figure 26: ROE/ROA


Source: KGI Research

Valuations

We initiate coverage on UnUsUaL (UNU SP) with an Outperform rating and a TP of SGD0.192 apiece, implying FY23F/24F P/E of 38.1x/18.4x. We ascribe a 15% discount to the mid-point of our valuation range to build in execution risks. Our valuation range of SGD0.163 to SGD0.288 takes into consideration peers’ valuations as well as DCF valuations of our base/bear scenarios.

While the FY23F P/E of 38.1x might appear rich, we believe this is justified due to UNU’s expected return to profitability. Meanwhile, we point out that, including outliers, our FY24F valuation is at c.19% discount to peers’ median valuation of 22.8x.

In our opinion, these valuations will be well supported by revenue/PATMI FY23-26F CAGR of 28.1%/54.5%. Revenue/PATMI growth formation would be driven by a rising number of live events produced and promoted, moderately increasing ASPs of tickets, as well as controlled OPEX. Our valuation takes into consideration the following, sans outliers:

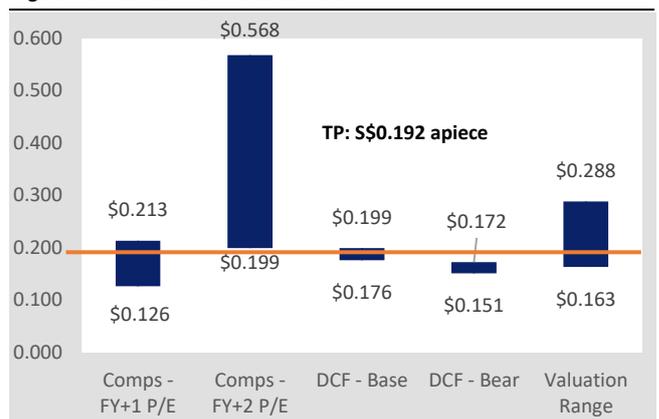
- i. Peers’ FY+1E P/E valuation of 25x (low) to 42.3x (high)
- ii. Peers’ FY+2E P/E valuation of 19.1x (low) to 54.4 (high)
- iii. DCF valuation of our base case scenario
- iv. DCF valuation of our bear case scenario

Figure 27: DCF Assumptions

Terminal Growth Rate	1.8% - 2.2%
Debt-to-Capital	15%
Cost of Debt	6.0%
Tax Rate	17.0%
After-tax Cost of Debt	4.98%
Risk-free Rate	2.75%
Market Risk Premium	4.24%
Beta	1.44 - 1.56
Cost of Equity	8.9% - 9.3%
WACC	8.3% - 8.7%

Source: KGI Research

Figure 28: Football field valuation chart



Source: KGI Research

Sensitivity Analysis

We ran a sensitivity analysis of our DCF valuation range against terminal growth rates as well as WACC as we believe that these have the strongest impacts on our valuation. Resultantly, we present our sensitivity tables below on the impact on UNU’s valuations.

Figure 29: Sensitivity analysis of base case valuation

		WACC				
		8.3%	8.4%	8.5%	8.6%	8.7%
Terminal Growth Rate	SGD					
	1.8%	0.188	0.185	0.182	0.179	0.176
	1.9%	0.191	0.187	0.184	0.181	0.178
	2.0%	0.194	0.190	0.187	0.184	0.180
	2.1%	0.196	0.193	0.189	0.186	0.183
	2.2%	0.199	0.196	0.192	0.189	0.186

Source: KGI Research

Figure 30: Sensitivity analysis of bear case valuation

		WACC				
		8.3%	8.4%	8.5%	8.6%	8.7%
Terminal Growth Rate	SGD					
	1.8%	0.162	0.159	0.156	0.154	0.151
	1.9%	0.164	0.161	0.158	0.156	0.153
	2.0%	0.167	0.164	0.161	0.158	0.155
	2.1%	0.169	0.166	0.163	0.160	0.157
	2.2%	0.172	0.168	0.165	0.162	0.160

Source: KGI Research

Peer comparison

We note that in Singapore, the closest peer we can compare UNU to is GHY Culture & Media (GHY SP), which has a concert arm. It currently trades at 30.6x/16.3x FY+1/+2 P/E, arguably cheaper than our prescribed 38.1x/18.4x FY23/24F for UNU. Nonetheless, we point out that GHY has limited experience and indeed scale when it comes to live events.

GHY’s scale still limited. Based on its website, we observed that GHY has only worked with 3 artistes (Jay Chou, Power Station, and Li Rong Hao) previously, compared with UNU’s existing relationships with at least 26 artistes. Additionally, GHY focuses exclusively on Mandopop, while UNU’s music genre coverage expands beyond Mandopop and into Cantopop (Jacky Cheung, Hacken Lee, Andy Lau), K-pop (iKON, Kang Daniel), and Western acts (Justin Bieber, Air Supply, Westlife).

Western peers trading at premium. Elsewhere, we observe that live event companies in the west tend to trade at substantial premiums vis-à-vis their Asian counterparts. These premiums can range from 47% to as high as 383% particularly given outliers such as Live Nation (LYV US) and Madison Square Garden (MSGE US). We put this down mainly to the speed at which western markets opened their economies and resumed large-scale mega events. We believe that such a premium should dissipate as Asian plays start to benefit from a resumption of similar sized events.

Figure 31: Peer comparison table

Bloomberg Ticker	Company Name	Last Price (Local \$)	Currency Adj. Market Cap (US\$ m)	Dividend Yield (%)		Net Gearing (%)	P/E (x)			P/B (x)	6M Average Daily Trading Volume (Local \$)	Price Performance (YTD)
				FY0	FY+1		12M	FY+1	FY+2	Historical		
UNU SP	UNUSUAL LTD	0.135	100.0	-	-	33.5	n.a.	26.8	12.9	3.1	20	9.8
Singapore Peers												
GHY SP	GHY CULTURE & MEDIA HOLDING	0.52	400.5	2.1	1.0	-12.8	144.4	30.6	16.3	3.7	38	-6.3
Western Peers												
LYV US	LIVE NATION ENTERTAINMENT IN	84.70	19,317	-	-	708.7	n.a.	125.3	54.4	n.a.	251,844	-29.2
EVD GR	CTS EVENTIM AG & CO KGAA	53.70	5,396	-	1.1	-157.5	41.7	42.3	29.7	9.5	6,881	-16.6
MSGE US	MADISON SQUARE GARDEN ENTERT	55.26	1,891	-	-	21.3	n.a.	n.a.	140.3	0.9	17,209	21.4
CIEB MM	CORP INTERAMERICANA ENTRET-B	9.00	247.3	-	-	-23.1	n.a.	n.a.	n.a.	0.7	386	0.0
LOU GR	DEAG DEUTSCHE ENTERTAINMENT	5.90	133.3	-	-	-133.4	87.9	n.a.	n.a.	6.8	16	5.4
MOMENT SS	MOMENT GROUP AB	0.67	29.7	-	-	n.a.	n.a.	n.a.	n.a.	n.a.	1,728	-6.0
Asian Peers												
352820 KS	HYBE CO LTD	148,500	4,745	-	-	-14.6	37.5	26.8	22.8	2.1	75,226,750	57.4
041510 KS	SM ENTERTAINMENT CO LTD	69,200	1,272	0.3	0.3	-50.5	10.7	24.8	21.2	2.5	41,342,750	-6.7
122870 KS	YG ENTERTAINMENT INC	48,350	695	0.4	0.6	-27.6	n.a.	25.0	19.1	2.4	18,715,420	-13.2
4337 JP	PIA CORP	3,175	361	-	-	24.2	n.a.	n.a.	n.a.	17.2	94,802	-5.8
182360 KS	CUBE ENTERTAINMENT INC	13,600	145	-	-	-24.0	n.a.	n.a.	n.a.	5.1	4,542,815	-45.9
6596 TT	KUANG HONG ARTS MANAGEMENT	46.00	46	-	-	-38.7	n.a.	n.a.	n.a.	2.5	1,114	-5.8
6625 TT	B'IN LIVE CO LTD	28.40	42	-	-	-43.4	n.a.	n.a.	n.a.	2.3	1,256	-14.7
Simple average							64.5	45.8	43.4	4.3		-16.0

Source: KGI Research

Macro and Industry Outlook

Live entertainment industry recovery after reeling from torrid two years. According to Pollstar, the global live events industry lost USD30bn in 2020 alone due to the global pandemic as the industry was effectively shut down completed in March 2020. The projected USD30bn losses included USD9.3bn in box office losses, unreported events, ancillary revenues, and other economic activity associated with live events.

Vaccines, better testing, new pandemic management protocols, and other innovations have allowed for the industry to ramp up and things are looking up for the industry. Pollstar's 1Q22 recap was defined by the industry's ongoing recovery from the crippling pandemic. Box office data showed a worldwide gross topping USD1.09 billion, up from the meagre USD30 million recorded in 1Q21.

Nonetheless, the same outlet pointed out that the recovery is still a work-in-progress as 1Q22's box office gross was still weaker than pre-pandemic 1Q20's USD1.97bn (1Q19/1Q18: USD2.33/SGD2.03bn). 1Q22's number was probably curtailed by still somewhat reduced capacities in developed markets such as New Zealand, which still had substantial pandemic-curbing measures during the quarter.

Market price action corroborates the overall hope that the worse might be over for the live entertainment industry. Notwithstanding the selloff in US markets, we note that key live entertainment plays such as Live Nation (LYV US), CTS Eventim (EVD GR), and HYBE (352820 KS) have all rallied since January 2021 with the latter only seeing a substantial correction after BTS announced a break to focus on their solo careers.

Meanwhile, Singapore-listed plays have continued to languish, with GHY/UNU recording a 31.6%/21.1% drop during the same period. We believe the time is ripe for UNU to play catch up with its global peers.

Figure 32: Share price performance of peers



Source: KGI Research

Company Background

Corporate history. UNU started with producing live concerts for recording labels 25 years ago, when it rented equipment for staging (hydraulics), lighting, speakers, videos, and props from Singapore Broadcasting Corporation (SBC), the TV and radio broadcasting monopoly in 1980-1994. The two Ong brothers who founded UNU were trained in electronic engineering. Initially, UNU was doing promotional mini concerts for the artistes to promote their CDs. Since then, it has expanded from Production to Entertainment where it also promotes the artistes such as arranging media interviews for them and manages ticket sales to concert goers through ticketing agents such as SISTIC in Singapore, on top of producing the shows. Instead of just being the supporting act for the show, UNU is now the manager of the star act.

Lastly, there is also UnUsUaL Development, which manages shows and events for venues such as convention centres and stadiums. Management sees potential for it to work with more venue owners in Malaysia and China. UNU's value-add is considerable as the owners neither know how to run a mass event nor want to buy or know how to maintain the specialised equipment. They would rather outsource it to UNU who is experienced in staging big shows in venues such as the Indoor Stadium (8,000-pax seating capacity), Resorts World (5,000), Star Theatre at The Star Vista (5,000) and the Mastercard Theatres at MBS (2,000), as well as the Mercedes Benz Arena in Shanghai (18,000 pax).

UNU's growth is limited to its ability to get acts. The more shows it can do, the higher it earns. The artiste typically makes known his or her touring schedule in advance, e.g., number of shows, which continents, etc. Organisers such as UNU will put in a bid for the cities and territories they want. A bigger balance sheet or access to more capital will allow UNU to bid and make deposits (for the artiste fees) for more shows, which allows it to get bulk buying discounts. This is a win/win for organiser and artiste, as the artiste also prefers to work with the same organiser for more shows as there is more homogeneity in the setup.

To manage its risks, UNU usually takes the following steps, depending on the circumstances.

One, in poorer economic times, it will bring in smaller, less expensive acts. This protects its downside in case the shows do not sell out. UNU did not slow down even during recent economic crisis. Instead, it just brought in smaller shows but did more shows.

Two, it can spread its risks by trading shows in locations that it is less confident about. UNU is usually able to do this as it buys shows in bulk, which smaller organisers are unable to do. Through its connections and experience, it also knows that there are organisers who are willing to arrange shows for ego, particularly individuals who are either wealthy or have wealthy backers.

Three, it is also able to work with partners to make sure a show is profitable or at least breaks even. For example, if UNU is unable to get the 8,000-pax Indoor Stadium, its preferred venue, for a particular concert, it can hold smaller scale concerts for the public but also schedule private shows commissioned by third parties for VIPs. This way, it can cover costs and maintain margins.

Figure 33: UNU board of directors and senior managers

Name	Designation	Remarks
Board of Directors		
Ang Wee Chye "Melvin Ang"	Non-Executive Chairman and Non-Independent Director	<ul style="list-style-type: none"> - Appointed since August 2016, and re-elected in July 2018 - Founder, Executive Chairman, and Executive Director of SGX-listed mm2 Asia - Prior to founding mm2 Asia, he was employed by various media companies such as TCS, SPH MediaWorks, MediaCorp, and Media Prima - MBA graduate from Macquarie University in 1997
Ong Chin Soon "Leslie Ong"	Chief Executive Officer and Executive Director	<ul style="list-style-type: none"> - Appointed since May 2016, and re-elected in July 2020 - UNU's co-founder - Responsible for overall management operations, strategic planning, and business development - Possess 20 years of experience in the production and promotion business - Diploma (Electronic Engineering) graduate from Ngee Ann Polytechnic in 1988
Ong Chin Leong "Johnny Ong"	Chief Operating Officer and Executive Director	<ul style="list-style-type: none"> - Appointed since May 2016, and re-elected in July 2020 - UNU's co-founder - Responsible for day-to-day operations - Possess 20 years of experience in the production and promotion business
Tan Wee Peng Kelvin	Lead Independent and Non-Executive Director	<ul style="list-style-type: none"> - Appointed since March 2017, and re-elected in July 2019 - Possess 30 years of professional and management experience in the private and public sectors of Singapore - Advises private companies and PE funds in the areas of corporate governance, finance and investments, business strategy and corporate development, and leadership development - Adjunct Associate Professor with the NUS Business School - MBA graduate from NUS, fellow of the Institute of Singapore Chartered Accountants
Tan Yew Chee William	Independent and Non-Executive Director	<ul style="list-style-type: none"> - Appointed since March 2017, and re-elected in July 2019 - Possess 20 years of experience in accounting and finance industries - CFO of SGX-listed Sinostar PEC since 2008 - Fellow of the Association of Certified Chartered Accountants (UK)
Tang Tung Kin "Michael Tang"	Independent and Non-Executive Director	<ul style="list-style-type: none"> - Appointed since March 2017, and re-elected in July 2020 - Possess 23 years of experience in the media industry - Managing Director of SDI Media Hong Kong - Bachelor graduate from Imperial College London in 1992
Loh Woon Yen	Non-Executive Director	<ul style="list-style-type: none"> - Appointed since June 2017, and re-elected in July 2020 - Possess 15 years of experience in the media and communications industries - Team lead for SPH's Chinese Media Group developing adjacencies - Chartered Financial Analyst
Senior Management		
Leong Peck Sean "Annabelle Leong"	Group Financial Controller	<ul style="list-style-type: none"> - Appointed since July 2017 - Responsible for managing and overseeing the financial related activities - More than 10 years of experience in finance and operations across industries - Bachelor graduate from University Utara Malaysia in 2010
Meng Why Yin "Alan Meng"	Director of Sales and Operations	<ul style="list-style-type: none"> - Appointed since 2004 - Responsible for locating, developing, negotiating, and closing business relationships and opportunities - Possess more than 20 years of experience in the production and venue management industries - Diploma (Computer Studies) graduate from National Centre for IT (UK) in 1991

Source: Company

Key Risks

Pandemic resurgence and reinstatement of social distancing measures. A prolonged pandemic infection wave with a more virulent and dangerous variant could force governments' hands to institute stringent social distancing measures again. This would cause the live entertainment industry to undergo a "winter" and throw the space into further upheaval once again. Our bear-case scenario takes into consideration a later-than-expected reopening in UNU frontier markets such as Australia and Southeast Asian cities such as Bangkok, Manila, and Jakarta.

Cancellation of shows/events. One of the key risks to UNU's business is from the supply front, when artistes, due to unforeseen circumstances, cancel tours or shows. We note that while such occurrences are few and far between, it is still a clear risk factor to UNU's revenue generation. For example, Justin Bieber has recently cancelled a series of shows after he was diagnosed with Ramsay Hunt Syndrome. He has yet to cancel his Asian Tour. From a cashflow standpoint, UNU is protected because ticketing agents will be in charge for refunds to fans.

Stagflation could affect discretionary spend/operating margins. Stagnating economic growth and higher-than-expected inflation could negatively affect UNU both on the top and bottom-line basis. Revenue would be afflicted by reduced fan demand, while bottom-line would be hit by higher-than-expected cost of sales, which include transportation and freight.

Online streaming could cannibalise fan demand for live entertainment. Deloitte reported that 84% of surveyed fans were spending more time at home on online entertainment, and less time on in-person entertainment as of August 2021. Even when the pandemic subsides meaningfully, there is a potential that pandemic-induced behavioural changes may be difficult to change. This might result in an inertia in fans returning to the live entertainment scene.

Lack of artiste onboarding. While UNU has a repertoire of both A and B listers across Mandopop, Cantopop, and Western acts, a failure to onboard new and popular artistes into its pipeline could affect future business prospects. A lack of new artistes would also imply UNU's difficulty in establishing new business relationships, which is the hallmark of successful concert promoters.

Change of fan tastes or substantial decline in artiste popularity. Retail tastes can be volatile and artistes who are popular today could be reviled by fans tomorrow. The potential for sudden or gradual changes in fan tastes could force UNU to pivot to other more popular artistes. This may result in transition periods, which would affect financial performance.

Heightened and intensive competition. The resumption of touring by several artistes could result in an oversupply scenario of concerts at certain cities such as Singapore. This may affect UNU's ability to move tickets through the box office. Separately, concert promoters who had previously shuttered during the pandemic, may eventually recommence operations, adding to the competitive pressures in the industry.

Risk of equity fundraising. We see some risk of equity fundraising particularly given management's input to us about their averseness to debt levels. Additionally, our model suggests that FY23E cash balance may decline substantially to only SGD0.6m from FY22's SGD2.4m as it pares down some debt and refinances the rest. While the fundraising will shore up its balance sheet, existing shareholders may ultimately be diluted.

Financial Summary

FYE 31 March					
INCOME STATEMENT (SGD'000)	FY22A	FY23F	FY24F	FY25F	FY26F
Revenue	3,593	45,645	61,810	78,613	95,917
Cost of sales	(4,389)	(34,292)	(42,864)	(54,544)	(66,650)
Gross profit	(796)	11,353	18,946	24,069	29,267
Impairment loss on financial assets	(1,172)	–	–	–	–
Reversal of impairment loss on financial assets	–	–	–	–	–
Other (losses)/gains	245	8	8	8	8
Administrative expenses	(3,397)	(4,994)	(5,962)	(6,144)	(6,234)
Share of gains/(losses) of associated companies	872	435	435	435	435
Operating Profit	(4,247)	6,801	13,426	18,367	23,475
Finance Expenses	(532)	(466)	(341)	(279)	(217)
Finance Income	5	3	42	76	126
Other Income	437	–	–	–	–
Profit before income tax	(4,338)	6,339	13,128	18,164	23,384
Income tax expense	95	(1,078)	(2,232)	(3,088)	(3,975)
Profit after tax	(4,243)	5,261	10,896	15,076	19,409
NCI	(61)	75	156	216	278
PATMI	(4,182)	5,186	10,740	14,860	19,130
BALANCE SHEET (SGD'000)	FY22A	FY23F	FY24F	FY25F	FY26F
Property, plant, and equipment	13,164	12,958	12,662	12,396	12,156
Other receivables	16,462	15,642	8,768	8,768	8,768
Investment in associated companies	979	979	979	979	979
Intangible assets	1,530	1,260	990	720	450
Non-current assets	32,135	30,839	23,399	22,863	22,353
Inventories	–	–	–	–	–
Trade and other receivables	11,883	19,945	28,358	37,871	48,517
Other current assets	25,738	25,738	25,738	25,738	25,738
Income tax recoverable	204	204	204	204	204
Cash and cash equivalents	2,374	630	8,492	15,288	25,143
Current assets	40,200	46,517	62,793	79,101	99,602
Trade and other payables	8,528	10,295	12,225	14,778	17,155
Borrowings	8,293	4,146	–	–	–
Derivative financial instruments	6	6	6	6	6
Deferred income tax liabilities	–	–	–	–	–
Current liabilities	16,827	14,447	12,231	14,784	17,161
Borrowings	9,298	11,371	11,371	9,298	7,225
Derivative financial instruments	–	–	–	–	–
Deferred income tax liabilities	818	809	809	809	809
Non-current liabilities	10,116	12,180	12,180	10,106	8,033
Share capital	20,542	20,542	20,542	20,542	20,542
Other reserves	500	500	500	500	500
Retained Earnings	25,181	30,442	41,338	56,415	75,823
Equity attributable to shareholders	46,223	51,484	62,380	77,456	96,865

Govt grants expected to drop off

We see UNU starting to pare down their debt on improved CFO

In anticipation of relaxation of border controls in China, we see other receivables from Chinese/Korean parties falling

CASH FLOW STATEMENT (SGD'000)	FY22A	FY23F	FY24F	FY25F	FY26F
Net Profit After Tax	(4,243)	5,261	10,896	15,076	19,409
Adjustments	2,240	3,091	4,252	5,043	5,854
Operating CFs before changes in WC	(2,003)	8,353	15,148	20,119	25,263
Changes in working capital	2,409	(5,474)	391	(6,959)	(8,269)
Interest received	5	3	42	76	126
Net income tax	(244)	(1,087)	(2,232)	(3,088)	(3,975)
Cash flows from operations	167	1,795	13,350	10,149	13,144
Investments in associated companies	-	-	-	-	-
Purchase of property, plant, and equipment	(3)	(1,000)	(1,000)	(1,000)	(1,000)
Proceeds from disposal of property, plant, and equipment	151	-	-	-	-
Deposit paid for acquisition of intangible asset	-	-	-	-	-
Net CFs generated from/ (used in) investing activities	148	(1,000)	(1,000)	(1,000)	(1,000)
Proceeds from bank borrowings	2,000	2,073	-	-	-
Repayment of bank borrowings	(2,785)	(4,146)	(4,146)	(2,073)	(2,073)
Repayment of lease liabilities	(43)	-	-	-	-
Interest paid	(450)	(466)	(341)	(279)	(217)
Net CFs used in financing activities	(1,278)	(2,539)	(4,488)	(2,352)	(2,290)
Net increase/(decrease) in cash and cash eq.	(963)	(1,744)	7,862	6,796	9,854
Effect on currency translation on cash and cash equivalents	12	-	-	-	-
Cash and cash eq., beginning	3,325	2,374	630	8,492	15,288
Cash and cash eq., end	2,374	630	8,492	15,288	25,143
KEY RATIOS	FY22A	FY23F	FY24F	FY25F	FY26F
DPS (SGD cents)	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-
NAV per share (SGD cents)	4.4	4.9	6.0	7.5	9.4
Price/NAV (x)	3.1	2.7	2.2	1.8	1.4
Profitability					
Gross Margin (%)	-22%	25%	31%	31%	31%
Net Margin (%)	-118%	12%	18%	19%	20%
ROA (%)	-6%	7%	13%	15%	16%
ROE (%)	-9%	10%	17%	19%	20%
Financial Structure					
Interest Coverage Ratio (x)	(8.0)	14.6	39.4	65.8	108.3
Gearing Ratio (%)	39%	31%	18%	12%	7%

UNU is expected to pare down some debt and repay the rest.

As the operating environment continues to improve, UNU should further repay debt in FY24E and beyond

CFO to turn positive as cash received from ticketing agents tend to take about 2-4 weeks.

Margins are roughly in line with pre-pandemic (FY18-20) performance.

KGI's Ratings

Rating	Definition
Outperform (OP)	We take a positive view on the stock. The stock is expected to outperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
Neutral (N)	We take a neutral view on the stock. The stock is expected to perform in line with the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
Underperform (U)	We take a negative view on the stock. The stock is expected to underperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
Not Rated (NR)	The stock is not rated by KGI Securities.
Restricted (R)	KGI policy and/or applicable law regulations preclude certain types of communications, including an investment recommendation, during the course of KGI's engagement in an investment banking transaction and in certain other circumstances.

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